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1972

White Consolidated Industries, Inc. Annual Report

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White Consolidated Industries, Inc.

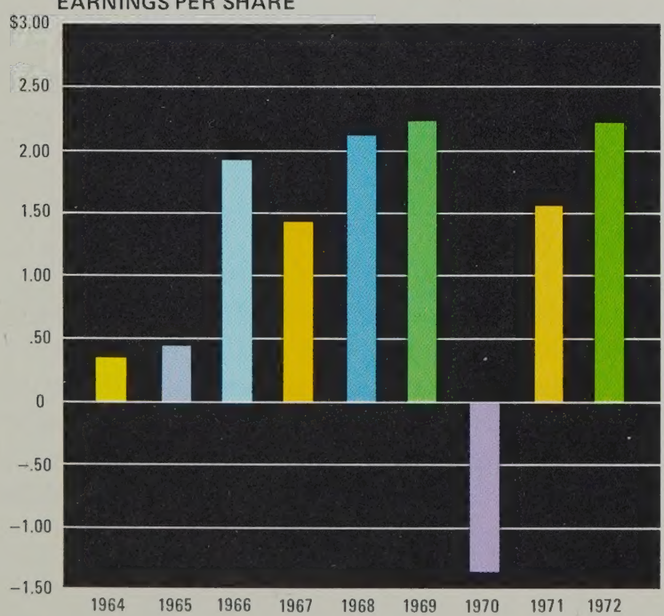
GENERAL OFFICES	11770 Berea Road, Cleveland, Ohio 44111
TRANSFER AGENTS	The Cleveland Trust Company, Cleveland First National City Bank, New York
REGISTRARS	The Chase Manhattan Bank, New York Union Commerce Bank, Cleveland
GENERAL COUNSEL	Squire, Sanders & Dempsey, Cleveland
ACCOUNTANTS	Ernst & Ernst, Cleveland

The Annual Meeting of White Consolidated will be held at 2:00 p.m. on Tuesday, May 1, 1973 at the Corporation's headquarters at 11770 Berea Road, Cleveland, Ohio.

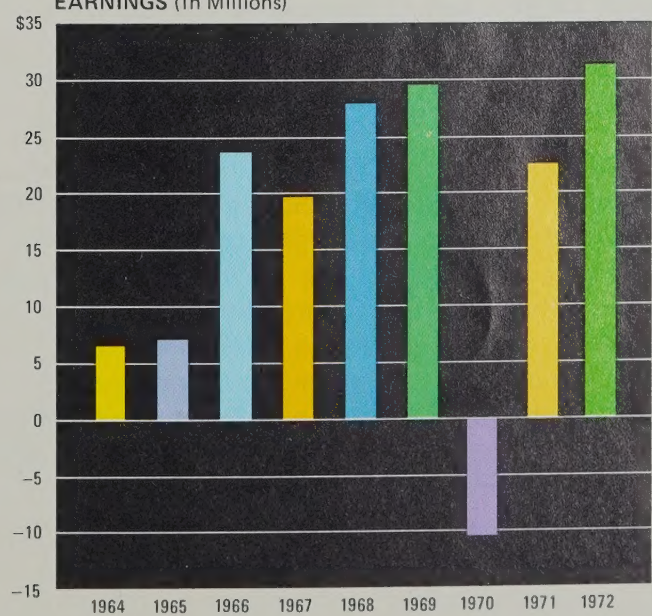
Highlights of Operations and Financial Position

	1972	1971
OPERATING HIGHLIGHTS FOR THE YEAR		
Net sales	**$728,124,038**	$694,313,862
Net income	**$ 30,177,097**	$ 22,480,626
Earnings per common share — based on average shares outstanding	**$2.22**	$1.55
Earnings per common share assuming full dilution	**$2.00**	$1.43
FINANCIAL POSITION AT YEAR END		
Total assets	**$558,836,350**	$580,630,802
Working capital	**252,809,738**	291,809,709
Ratio of current assets to current liabilities	**3.0:1**	3.6:1
Long-term debt	**129,368,093**	186,374,056
Stockholders' equity	**226,624,570**	206,130,255
Common shares outstanding	**11,492,936**	10,923,914
Number stockholders — common stock	**24,582**	24,247
Number of employees	**21,500**	21,000

EARNINGS PER SHARE



EARNINGS (In Millions)



To the Shareholders:

We are pleased to report that 1972 was an outstanding year for your company.

Net income, up 34%, reached record levels, while sales increased a modest 5% over the previous year.

On sales of $728,124,038, net income in 1972 reached an all time high of $30,177,097 or $2.22 per common share as compared with $22,480,626 or $1.55 per common share on sales of $694,313,862 in 1971. Per share earnings are based on the average number of shares outstanding during the year adjusted to give effect to the 5 per cent stock dividend paid last July.

A variety of factors contributed to the gains and continue to provide cause for considerable optimism with respect to 1973 and future years.

Quoting activity, incoming orders and backlogs have improved for machine tool, textile preparatory machinery, steel making machinery and graphic arts equipment. While this did not have a substantial affect on results for 1972, it does justify our optimism for this year and 1974. Of course, the expected costs of the move of American Type Founders Co. facilities in Nashville, Tennessee to Whitinsville, Massachusetts did adversely affect our operations in 1972, as did the continuation of the Blaw-Knox strike into the first quarter.

Our newest subsidiary, Americold Compressor Corporation, continues to show encouraging progress. While in 1972 Americold made no substantial profit contribution, and any contribution in 1973 will be modest, we do expect a substantial contribution in 1974 and thereafter.

The appliance divisions continue to improve, and we expect another good year for them in 1973. Profitability in our consumer products divisions, including major appliances, improved during the year 1972 despite the adverse effects of an industry-wide decline in the sales of room air conditioners as a consequence of two years of cool summers, which also resulted in higher than normal inventory levels of these products at year end. It is too early in the year to predict air conditioning sales with any degree of certainty. We are hopeful but cautiously so. We do expect improvement however in each of our other consumer product lines.

Our optimistic outlook for the future is illustrated by our capital spending commitments in 1973 for plant, machinery, equipment and new product development. In 1970, 1971 and 1972 we spent approximately $10,000,000, $20,000,000 and $15,000,000 for capital additions and improvements. We will make commitments for capital expenditures in the neighborhood of $25,000,000 in 1973. We expect these expenditures to improve profitability and enhance growth. We also expect that this level of capital spending will not be necessary after 1973.

Your company's growing international operations have made a substantially improved contribution to overall results. Our Canadian companies have been completely consolidated and showed extremely satisfactory improvement in 1972 over 1971, with a brighter outlook for 1973. Specifically, in their fiscal year ended September 30, 1972, our Canadian companies earned on a combined basis $4,487,412 as compared with $769,581 on the same basis for the previous fiscal year. Our English operations have also grown and made a greater contribution overall. We made a substantial improvement in our products and methods in England and expect the future to be benefited thereby. Further, we are pleased with our increasing sales of U. S. manufactured products overseas and look forward to a continuation of this trend.

Labor relations in 1972 were marred only by the continuation of the 1971 strike at Blaw-Knox into the first quarter of the year. A new contract was, as you know, signed for a three year period. Several other new contracts were negotiated at a number of our divisions, including most of the domestic major appliance divisions. Some major contracts are to be negotiated during 1973. As we have cautioned before, no one can predict the outcome of labor negotiations at this time. However, we have no reason to believe

that we cannot reach agreements beneficial to both management and labor without incident.

Each year it is our custom to note major executive changes. While all companies, including ourselves, are affected by the untimely loss through death of valued friends and associates, we were particularly saddened by the shocking and unexpected death on June 1 of William H. Johnson, President, at the age of 51 years. Mr. Johnson had served your company with distinction for 16 years. We miss him.

At a meeting of the Board of Directors July 12, Mr. Roy H. Holdt, who had been Executive Vice President and an employee 16 years, was elected President and Chief Operating Officer.

Henry S. Reddig, who had been serving as Executive Vice President, was elected to the new position of Senior Executive Vice President. Ward Smith and Karl E. Ware were named Executive Vice Presidents. They previously had served as Senior Vice President and Group Vice President respectively.

As we have indicated, we are most pleased with the state of operations during 1972. We are also pleased with the financial condition of your company at year end. As you can note from the statements, the financial condition of your company continues to improve and is now stronger than ever. Long term debt was reduced by $57,005,963 for the year. We incurred no short term debt at all during the period. We have a sound current position and a strong financial base looking into the future for whatever programs will benefit the company and its stockholders. Our pleasure in the results for the year and the condition of your company does not, however, imply that we are entirely satisfied. More can be done and we look forward to the coming year in confidence that new and higher goals can and will be achieved.

During the year your directors felt more than justified in increasing the cash dividend rate on common stock from $.40 a year per common share to $.50 a year per common share, a 25% increase.

Your directors are continuing to give constant review toward dividend and other policies and practices, with a view toward giving the stockholder the greatest return possible consistent with your company's cash needs to maintain and improve our growth.

We are grateful to our more than 21,000 employees who, of course, share credit for the year's successes. Our directors and officers are grateful to you for your confidence in the company and can assure you that we all look forward to achieving the objectives we have set.

By Order of the Board of Directors

E. Reddig

Chairman of the Board
and Chief Executive Officer

R H Holdt

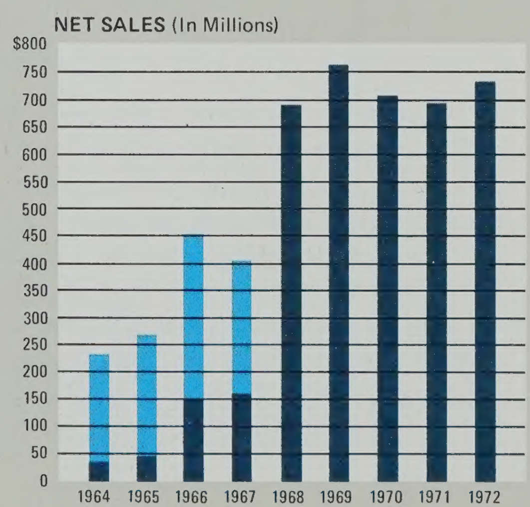
President and
Chief Operating Officer

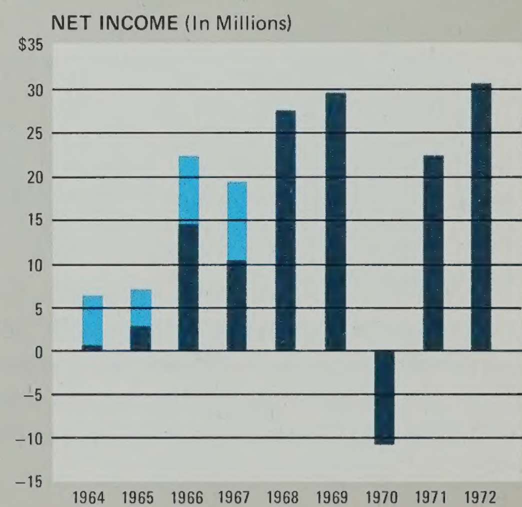
Nine Year Record

White Consolidated Industries, Inc. and Subsidiaries

	1972	1971	1970
Net Sales	**$728,124,038**	$694,313,862	$709,340,767
Net Income (Loss)	**30,177,097**	22,480,626	(10,617,255)
Income (Loss) Per Share of Common Stock — Note 1	**2.22**	1.55	(1.35)
Cash Dividends Paid: Common	**4,486,158**	4,257,658	4,121,114
Preferred	**4,651,170**	4,707,994	4,724,126
By Pooled Companies Prior to Acquisition	**—0—**	—0—	—0—
Total Cash Dividends Paid	**9,137,328**	8,965,652	8,845,240
Common Stock Dividends Paid	**5%**	5%	—0—
Working Capital	**252,809,738**	291,809,709	215,503,070
Ratio of Current Assets to Current Liabilities	**3.0:1**	3.6:1	1.9:1
Stockholders' Equity	**226,624,570**	206,130,255	190,477,139
Book Value Per Share of Common Stock — Note 2	**13.06**	11.22	9.87

Note 1 After provision for dividends paid on Preferred Stock and based on the average number of Common Shares outstanding during the year adjusted to give effect to stock dividends paid and the 2-for-1 stock splits in 1968 and 1966.

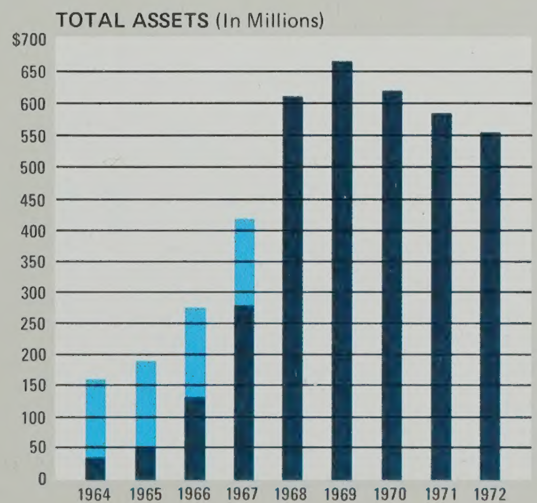


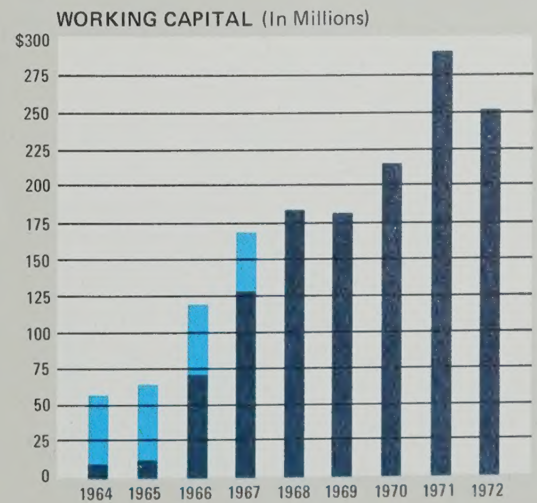


Adjusted for Companies Acquired in Poolings of Interests — *As Originally Reported*

1969	1968	1967	1966	1965	1964
$767,601,408	$694,868,393	$415,177,014	$453,739,927	$273,446,946	$239,721,473
29,853,169	27,935,616	19,883,921	23,591,185	6,963,640	6,305,959
2.22	2.12	1.41	1.92	0.44	0.35
3,955,648	3,079,236	508,541	—0—	—0—	—0—
4,718,574	2,958,168	914,784	764,382	369,326	415,177
—0—	1,678,854	3,476,845	3,183,170	3,094,918	3,007,604
8,674,222	7,716,258	4,900,170	3,947,552	3,464,244	3,422,781
8%	2%	6%	5%	—0—	—0—
184,086,794	185,186,775	172,654,615	120,834,400	64,822,911	60,087,669
2.0:1	2.2:1	2.5:1	2.6:1	2.2:1	2.3:1
210,063,954	188,657,964	161,662,969	141,590,407	87,418,557	83,419,660
11.60	9.72	7.38	6.01	2.90	2.48

Note 2 Adjusted to give effect to stock dividends paid and the 2-for-1 stock splits in 1968 and 1966.





Consolidated Balance Sheet

White Consolidated Industries, Inc. and Subsidiaries

	December 31	
	1972	1971
ASSETS		
CURRENT ASSETS		
Cash	**$ 17,418,013**	$ 45,098,842
Trade receivables (less allowance of $3,486,084 in 1972 and $3,076,900 in 1971)	**143,580,821**	129,691,422
Recoverable income taxes	—	15,000,000
Inventories	**214,417,097**	212,701,001
Prepaid expenses	**2,916,159**	2,196,004
TOTAL CURRENT ASSETS	**378,332,090**	404,687,269
INVESTMENTS AND OTHER ASSETS		
Investment in foreign companies	**7,102,941**	6,694,031
Deferred charges and other assets	**14,392,843**	12,646,789
Excess of cost over purchased net assets	**13,493,989**	13,493,989
	34,989,773	32,834,809
PROPERTY, PLANT, AND EQUIPMENT		
Land	**5,466,782**	4,762,618
Buildings	**101,957,766**	100,111,053
Machinery and equipment	**165,558,960**	161,641,050
	272,983,508	266,514,721
Less allowances for depreciation and amortization	**127,469,021**	123,405,997
	145,514,487	143,108,724
	$558,836,350	$580,630,802

	December 31	
	1972	1971
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	**$ 43,464,551**	$ 45,173,919
Other payables and accruals	**38,378,602**	35,007,107
Accrued and deferred income taxes	**21,986,764**	8,218,183
Current maturities of long-term notes and mortgages	**21,692,435**	24,478,351
TOTAL CURRENT LIABILITIES	**125,522,352**	112,877,560
LONG-TERM NOTES AND MORTGAGES	**129,368,093**	186,374,056
CONVERTIBLE SUBORDINATED DEBENTURES	**51,551,500**	51,572,500
DEFERRED INCOME TAXES AND LONG-TERM RESERVES	**25,769,835**	23,676,431
STOCKHOLDERS' EQUITY		
Preferred Stock	**76,507,350**	77,425,900
Common Stock — par value $1 a share: Authorized 50,000,000 shares Outstanding 11,492,936 shares in 1972 and 11,470,109 shares in 1971	**11,492,936**	10,923,914
Other capital	**88,249,064**	75,284,965
Retained income	**50,375,220**	42,495,476
	226,624,570	206,130,255
	$558,836,350	$580,630,802

See notes to financial statements.

Statement of Consolidated Income

White Consolidated Industries, Inc. and Subsidiaries

	Year ended December 31	
	1972	1971
Net sales	**$728,124,038**	$694,313,862
Other income — net	**8,395,587**	7,792,021
	736,519,625	702,105,883
Costs and expenses:		
Cost of products sold	**594,423,309**	575,392,291
Selling, general, and administrative expenses	**68,030,552**	64,803,727
Interest	**18,526,188**	19,294,976
	680,980,049	659,490,994
INCOME BEFORE INCOME TAXES	**55,539,576**	42,614,889
Federal and state income taxes	**25,362,479**	20,134,263
NET INCOME	**$ 30,177,097**	$ 22,480,626
Net income per common share based on average shares outstanding	**$2.22**	$1.55
Net income per common share assuming full dilution by conversion of debentures and exercise of dilutive options	**$2.00**	$1.43

See notes to financial statements.

Statement of Consolidated Common Stock, other Capital and Retained Income

White Consolidated Industries, Inc. and Subsidiaries

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	OTHER CAPITAL	RETAINED INCOME
Balance January 1, 1971	11,382,921	$10,324,645	$63,626,238	$38,419,256
Undistributed earnings of foreign companies				1,687,231
Net income				22,480,626
Dividends:				
Cash:				
Serial Preferred Stock — $3.00 a share				(4,707,994)
Common Stock — $.37 a share				(4,257,658)
In Common Stock — 5%		519,178	10,606,807	(11,125,985)
Common Stock sold under stock option plans	84,688	77,712	826,596	
Adjustment relative to conversion of debentures	2,500	2,379	61,989	
Redemption of Preferred Stock			163,335	
Balance December 31, 1971	11,470,109	10,923,914	75,284,965	42,495,476
Net income				30,177,097
Dividends:				
Cash:				
Serial Preferred Stock — $3.00 a share				(4,651,170)
Common Stock — $.39 a share				(4,486,158)
In Common Stock — 5%		547,249	12,612,776	(13,160,025)
Common Stock sold under stock option plans	22,029	20,980	266,279	
Adjustment relative to conversion of debentures	798	793	19,949	
Redemption of Preferred Stock			65,095	
Balance December 31, 1972	11,492,936	$11,492,936	$88,249,064	$50,375,220

See notes to financial statements.

Statement of Consolidated Changes in Financial Position

White Consolidated Industries, Inc. and Subsidiaries

	Year ended December 31	
	1972	1971
SOURCE OF FUNDS		
From operations:		
Net income	**$ 30,177,097**	$ 22,480,626
Items not affecting working capital:		
Depreciation and amortization	**12,060,942**	11,485,859
Amortization of deferred charges	**4,038,692**	2,672,258
Noncurrent deferred income taxes	**1,273,035**	4,549,502
Equity in net income of foreign companies, less dividends received	**(408,910)**	(311,814)
Totals from Operations	**47,140,856**	40,876,431
Decrease in working capital	**38,999,971**	—
Proceeds from long-term notes and mortgages	**—**	181,476,891
Proceeds from stock options and conversion of debentures	**308,001**	968,676
	$ 86,448,828	$223,321,998
APPLICATION OF FUNDS		
Cash dividends paid	**$ 9,137,328**	$ 8,965,652
Additions to property, plant, and equipment — net of normal retirements	**14,466,705**	20,316,223
Repayment of long-term notes and mortgages	**57,005,963**	113,473,685
Additions to deferred charges	**5,784,746**	3,769,765
Other — net	**54,086**	490,034
Increase in working capital	**—**	76,306,639
	$ 86,448,828	$223,321,998

STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION — CONTINUED

	Year ended December 31	
	1972	1971
CHANGES IN THE COMPONENTS OF WORKING CAPITAL ARE SUMMARIZED AS FOLLOWS		
Increase (decrease) in current assets:		
Cash	**$(27,680,829)**	$ 32,880,034
Trade receivables	**13,889,399**	(2,655,010)
Inventories	**1,716,096**	(18,745,329)
Capital stock of Allis-Chalmers Manufacturing Company	**—**	(58,361,581)
Prepaid expenses	**720,155**	(529,354)
Recoverable — deferred income taxes	**(15,000,000)**	(7,326,918)
Increase (decrease) in current assets	**(26,355,179)**	(54,738,158)
Decrease (increase) in current liabilities:		
Notes payable to banks	**—**	50,000,000
Trade accounts payable	**1,709,368**	30,279,317
Other payables and accruals	**(3,371,495)**	1,968,106
Accrued income taxes	**(13,768,581)**	(4,442,956)
Current maturities of long-term notes and mortgages	**2,785,916**	53,240,330
Decrease (increase) in current liabilities	**(12,644,792)**	131,044,797
(DECREASE) INCREASE IN WORKING CAPITAL	**$(38,999,971)**	$ 76,306,639

See notes to financial statements.

Accountants' Report

Stockholders and Board of Directors
White Consolidated Industries, Inc.
Cleveland, Ohio

We have examined the consolidated financial statements of White Consolidated Industries, Inc. and subsidiaries for the years ended December 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the ability of the Corporation to successfully maintain its claim for ordinary loss treatment for federal income tax purposes in connection with the sale of capital stock as explained in Note G, the accompanying balance sheet and statements of income, common stock, other capital and retained income and changes in financial position, present fairly the consolidated financial position of White Consolidated Industries, Inc. and subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations, changes in stockholders' equity, and consolidated changes in financial position for the years 1972 and 1971, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst + Ernst

Cleveland, Ohio
February 22, 1973

White Consolidated Industries, Inc. and Subsidiaries
December 31, 1972 and 1971

References to shares of Common Stock and per share amounts in the financial statements and the following notes have been adjusted to reflect the June, 1972 and June, 1971 5% stock dividends.

NOTE A — ACCOUNTING POLICIES AND PRACTICES

The Corporation's accounting and reporting policies conform to generally accepted accounting principles and to industry practices on a consistent basis between periods. Principal accounting policies and practices are described below.

Consolidation:

The consolidated financial statements include the accounts of the Corporation and all of its domestic and Canadian subsidiaries. Since January 1, 1971, investments in nonconsolidated foreign companies representing more than twenty percent of voting securities have been accounted for under the equity method, which recognizes currently its share of the income or loss of the investee company. The cumulative equity in net income of such companies to January 1, 1971, was recorded as a credit to retained income. Investments in companies which the Corporation's ownership is twenty percent or less are at cost and income is recognized as dividends are received.

The accounts of foreign companies and Canadian subsidiaries have been translated at appropriate rates of exchange, and the resulting gains or losses (which are not material in amount in either year) are reflected in operations. Upon consolidation, all significant intercompany items and transactions have been eliminated. The Corporation's financial statements will not be affected significantly by the February, 1973 devaluation of the U.S. dollar.

Inventories:

Inventories are priced at the lower of cost (principally first-in, first-out) or market.

Certain of the Corporation's subsidiaries record major long-term construction contracts by the percentage-of-completion method where income is recognized based on the estimated stage of completion of individual contracts as determined by the Corporation's engineers. Contract work in process represents the excess of accumulated costs and progress profits over billings on uncompleted contracts.

Property and depreciation:

Property is carried at cost and includes expenditures which substantially increase the useful life of existing assets. Routine maintenance, repairs, and minor tooling are expensed as incurred.

Depreciation is computed by the straight-line method using estimated lives of individual assets.

Excess of cost over purchased net assets:

The excess of cost over purchased net assets is being carried at cost and is not being amortized because, in the opinion of management, there has not been any decrease in the value of this asset.

Product development:

Expenditures for major new product development are deferred and amortized over a period not exceeding five years.

Warranties:

A significant percentage of net sales is covered by performance warranties, which as to certain components thereof, extend beyond one year. Approximately one-half of such warranty obligations are accounted for by the accrual method at time of sale and the other half is accounted for on a modified cash basis which provides a warranty reserve for unanticipated contingencies.

Income taxes:

Income taxes are reduced by benefits earned under the DISC export sales legislation and investment tax credits which are accounted for by the flow-through method. Deferred taxes arise from timing differences between financial and tax reporting principally relating to depreciation and the recognition of income on certain long-term construction contracts.

NOTE B — INVENTORIES

Inventories consist of the following:

	1972	1971
Finished products, merchandise and service parts	**$111,523,272**	$119,235,684
Manufacturing and contract work in process, raw materials and supplies, less progress billings on contracts of $18,350,591 in 1972 and $1,543,618 in 1971	**102,893,825**	93,465,317
TOTALS	**$214,417,097**	$212,701,001

NOTE C — LONG-TERM NOTES AND MORTGAGES

	December 31	
	1972	1971
Promissory notes to institutional investors — 9¾%	**$100,000,000**	$100,000,000
Unsecured notes to banks — interest at ¾% over prime rate — payable in installments to 1976	**26,250,000**	75,000,000
Capitalized lease obligations and other debt — payable to 1992	**24,810,528**	35,852,407
	151,060,528	210,852,407
Less current maturities	**21,692,435**	24,478,351
TOTALS	**$129,368,093**	$186,374,056

A summary of long-term notes and mortgage payments required during the several years following 1973 are as follows: 1974 — $13,751,867; 1975 — $4,747,227; 1976 — $1,204,364; 1977 — $7,491,450.

The Promissory Note Purchase Agreement places certain restrictions on the Corporation including the payment of dividends on Common Stock (other than stock dividends) and requires the maintenance of working capital, as defined, of not less than $225,000,000. Approximately $17,700,000 of the retained income was available for payment of cash dividends on Common Stock at December 31, 1972. These notes require annual payments of $6,667,000 beginning in 1977 to 1991.

NOTE D — CONVERTIBLE AND SUBORDINATED DEBENTURES

The 5½% debentures are due in 1992 with 5% sinking fund payments commencing in 1978 and are convertible into shares of Common Stock at the rate of one share for each $25.73 of debentures. The debentures are redeemable by the Corporation at $104.125 (such redemption price declining by $.275 each year to 1987). Approximately 2,004,000 common shares were reserved for conversion of the debentures at December 31, 1972.

NOTE E — PREFERRED STOCK

Serial Preferred Stock, $3.00 — par value $50 a share consists of:

	December 31, 1972		December 31, 1971	
	SHARES	**AMOUNT**	**SHARES**	**AMOUNT**
Authorized	1,970,778		1,977,978	
Outstanding: Series A	243,215	$12,160,750	250,415	$12,520,750
Series B	94,972	4,748,600	94,972	4,748,600
Series C	1,208,353	60,417,650	1,208,353	60,417,650
Less redemption requirement due within one year		819,650		261,100
TOTALS		$76,507,350		$77,425,900

The Serial Preferred Stock is entitled to receive cumulative cash dividends at the rate of $3.00 a share per annum before any dividends are paid upon or set apart for Common Stock. Upon involuntary liquidation, the holder of each share is entitled to $50.00, plus accumulated unpaid dividends, and such shares are redeemable, at the option of the Corporation, as to Series A at $51.50 a share and as to Series B and Series C at $52.50 a share (such redemption prices declining by $.50 each year to $50.00 a share). The Corporation is required to redeem at $50.00 a share specified amounts of such shares as to Series A and beginning in 1973 as to Series B, and 1974 as to Series C.

During the year, the Corporation purchased 7,200 shares of Series A in satisfaction of the 1972 redemption requirement and a portion of the 1973 requirement. On or before August 1, 1973, such redemption provisions require the retirement of an additional 11,644 shares ($582,200) of Series A and on or before December 31, 1973, 4,749 shares ($237,450) of Series B Preferred Stock which may be purchased in the open market.

NOTE F — STOCK OPTIONS

The Corporation has granted options to certain key employees to purchase Common Stock at or above market price at date of grant. The options expire five years from date of grant and become exercisable in scheduled amounts on a cumulative basis during the life of the respective options. A summary of option transactions during the two years ended December 31, 1972 follows:

	NUMBER OF SHARES	OPTION PRICES RANGE PER SHARE	OPTION PRICES TOTAL	MARKET PRICE
Year ended December 31, 1971:				
Became exercisable	93,866	$10.68 to $22.23	$1,784,501	$2,164,210
Exercised	84,688	9.23 to 17.76	904,309	1,572,165
Terminated	18,231	10.68 to 21.62	312,813	
Expired	3,132	10.68	33,496	
Year ended December 31, 1972:				
Granted	155,500	15.25	2,371,375	2,371,375
Became exercisable	98,749	10.68 to 21.62	1,823,294	1,759,206
Exercised	22,029	10.68 to 17.76	287,259	495,703
Terminated	57,033	10.68 to 22.23	905,123	
Expired	24,377	17.76 to 22.23	521,872	
At December 31, 1972:				
Outstanding	475,327	10.68 to 21.62	8,892,954	
Exercisable	326,218	10.68 to 21.62	6,680,485	
Reserved for future options	7,788			

There have been no charges or credits to income in connection with such options, and none are anticipated.

NOTE G — INCOME TAXES

Income tax expense, reduced by the effect of tax benefits related to the utilization of Canadian tax operating loss carryovers on which the tax benefits had not previously been provided, Domestic International Sales Corporation legislation, investment tax credits, and equity in the net after tax earnings of nonconsolidated foreign companies, consists of the following:

	December 31 1972	December 31 1971
Taxes paid or payable	**$22,240,543**	$ 4,378,434
Deferred tax effect on timing differences	**3,121,936**	30,755,829
Recoverable income taxes resulting from loss carryback	—	(15,000,000)
INCOME TAX EXPENSE	**$25,362,479**	$20,134,263

On February 8, 1971, the Corporation sold its capital stock of Allis-Chalmers Manufacturing Company for $58,361,581 and as of December 31, 1970, recorded the loss (claimed as an ordinary loss deduction on its 1971 federal income tax return) of $63,255,919 less the related deferred tax benefits of $30,362,841. Counsel for the Corporation has advised that it is appropriate for the Corporation to claim an ordinary deduction for the loss on its federal income tax return, and to maintain such claim, if it becomes necessary, both in administrative proceedings and in litigation. The Corporation intends to pursue its claim for ordinary loss treatment through all available procedures, including litigation.

NOTE H — PENSION PLANS

The Corporation has many pension plans including deferred compensation plans. Total pension expense for 1972 of $10,983,192 ($10,868,582 in 1971) generally included amortization of prior service cost. In general, accrued pension costs are funded. The actuarially computed values of vested benefits at the latest valuation date exceeded the total of the pension funds and balance sheet accruals at December 31, 1972 by approximately $28,800,000.

NOTE I — CONTINGENT LIABILITIES

The Corporation is contingently liable for certain notes receivable (principally secured by title retention contracts or chattel mortgages on equipment) sold with recourse ($8,500,000), for dealer finance repurchase agreements ($21,000,000) and foreign company debt, all aggregating approximately $30,000,000 at December 31, 1972. In the opinion of management, adequate reserves have been provided.

The White Consolidated Companies

ALABAMA	Cullman — Americold Compressor Corporation *Principal Product: Compressors*
CALIFORNIA	Paramount — Air Wall *Principal Product: Partitions*
CONNECTICUT	Bridgeport — The Bullard Company *Principal Product: Machine Tools*
GEORGIA	Waynesboro — Perfection Products *Principal Products: Space and Infra-Red Heaters*
INDIANA	East Chicago — Blaw-Knox Foundry & Mill Machinery, Inc. *Principal Products: Mill Machinery, Rolls and Castings*
ILLINOIS	Aurora — Aurora Steel Products *Principal Products: Steel Shelving and Lockers* Aurora — Richards-Wilcox Mfg. Co. *Principal Products: Conveyors, Moveable Walls, Industrial Doors* Mattoon — Blaw-Knox Construction Equipment, Inc. *Principal Product: Asphalt Paving Equipment*
IOWA	Jefferson — Franklin Manufacturing Co. *Principal Product: Automatic Washer Transmissions* Webster City — Franklin Manufacturing Co. *Principal Product: Home Laundry Appliances*
MAINE	Dexter — Fayscott Landis Machine Corporation *Principal Product: Shoe Repair Machinery* Dexter — Leland-Gifford Company *Principal Product: Machine Tools* Portland — Loren Dyer Co., Inc. *Principal Product: Industrial Supplies*
MASSACHUSETTS	Burlington — Jerguson Gage & Valve Company *Principal Products: Valves and Gages* Whitinsville — American Type Founders Co., Inc. *Principal Product: Printing Equipment* Whitinsville — Davidson Printing Equipment, Inc. *Principal Product: Printing Equipment* Whitinsville — Whitin Machine Works, Inc. *Principal Product: Textile Preparatory Machinery*
MICHIGAN	Belding — Belding Products Corporation *Principal Product: Room Air Conditioners* Detroit — Boyer-Campbell & Sales, Inc. *Principal Product: Industrial Supplies* Grand Rapids — Kelvinator, Inc. *Principal Products: Major Appliances, Compressors* Greenville — Gibson International Corporation *Principal Product: Major Appliances* Greenville — Gibson Appliance Corporation *Principal Product: Major Appliances* Greenville — Gibson Products Corporation *Principal Product: Major Appliances* Greenville — Greenville Products Corporation *Principal Products: Refrigerators and Freezers* Pontiac — Briney Bushing, Inc. *Principal Product: Drill Bushings*
MINNESOTA	Minneapolis — Franklin Manufacturing Co. *Principal Product: Appliance Service Parts* St. Cloud — Franklin Manufacturing Co. *Principal Product: Major Appliances*
MISSOURI	Joplin — King Press, Inc. *Principal Product: Printing Equipment*
NEW HAMPSHIRE	Laconia — Scott & Williams, Inc. *Principal Product: Knitting Machinery*
NEW JERSEY	Elizabeth — American Type Founders Co., Inc. *Principal Product: Printing Equipment*

The White Consolidated Companies *Continued*

NEW YORK	Buffalo — Blaw-Knox Food & Chemical Equipment, Inc. *Principal Product: Food and Chemical Processing Equipment*
	Dunkirk — Marsh Valve Co. *Principal Products: Brass Valves and Castings*
	New York City — Standard Sewing Equipment Corp. *Principal Product: Sewing Machines*
NORTH CAROLINA	Charlotte — Whitin Machine Works, Inc. *Principal Product: Textile Preparatory Machinery*
OHIO	Cleveland — Apex Fibre-Glass Products *Principal Product: Fibre-Glass Products*
	Cleveland — Hamilton Appliance Company *Principal Product: Major Appliances*
	Cleveland — Hupp, Inc. *Principal Products: Condensers and Vehicle Heaters*
	Cleveland — The Lees-Bradner Company *Principal Product: Machine Tools*
	Cleveland — Strong, Carlisle & Hammond *Principal Product: Industrial Supplies*
	Cleveland — Typhoon Air Conditioning Company *Principal Product: Air Conditioning Equipment*
	Cleveland — White Sewing Machine Company *Principal Product: Sewing Machines*
ONTARIO	Galt — Franklin Manufacturing Co. (Canada) Ltd. *Principal Product: Major Appliances*
	Guelph — WCI Canada Limited *Principal Product: Major Appliances*
	Guelph — Refrigeration Supplies Co., Ltd. *Principal Product: Appliance Service Parts*
	Scarborough — White Consolidated Industries, Ltd. *Principal Product: Sewing Machines*
PENNSYLVANIA	Allentown — Sarco Company, Inc. *Principal Products: Valves and Controls*
	Blawnox — Blaw-Knox Equipment, Inc. *Principal Products: Mill Equipment, Steel Forms, Grating, Cast Tubing*
	Blawnox — National Alloy Company *Principal Products: Centrifugal Cast Alloy Tubing and Castings*
	Ellwood City — Aetna-Standard Engineering Co. *Principal Products: Processing and Finishing Equipment for Steel Industry*
	Fairview — Specialty Valve & Controls *Principal Products: Valves and Controls*
	Lake City — Copes-Vulcan, Inc. *Principal Products: Valves, Soot Blowers*
	Pittsburgh — Blaw-Knox Chemical Plants, Inc. *Principal Service: Design and Erection of Process Plants*
	Pittsburgh — Blaw-Knox Foundry & Mill Machinery, Inc. *Principal Products: Mill Machinery, Iron and Steel Rolls, Castings*
QUEBEC	L'Assomption — Hupp Canada Ltd. *Principal Products: Major Appliances*
WEST VIRGINIA	Wheeling — Blaw-Knox Foundry & Mill Machinery, Inc. *Principal Products: Mill Machinery, Iron and Steel Rolls*
WISCONSIN	Manitowoc — Kelvinator Commercial Products, Inc. *Principal Product: Commercial Refrigeration*
ENGLAND	Winsford — Copes-Regulators, Ltd. *Principal Product: Regulators and Desuperheaters*
	Bromborough — Kelvinator Limited *Principal Product: Major Appliances*
FRANCE	Paris — Compagnie Francaise Blaw-Knox S.A. *Principal Products: Construction Equipment and Steel Forms*
JAPAN	Tokyo — Blawknox Japan Co., Ltd. *Principal Products: Mill Equipment and Food Processing Equipment*
MEXICO	Mexico City — Wirz y Machuca, S.A. *Principal Products: Screw Conveyors and Bucket Elevators*

Directors

DR. EDWARD L. BOWLES
Wellesley, Mass.

VOLLMER W. FRIES
Coral Gables, Fla.

WILLARD A. GIDDENS
Cleveland, Ohio

J. KENNETH HALL
New York, N. Y.

CHARLES F. HAUCK
Pittsburgh, Pa.

JAMES H. HIGGINS
Pittsburgh, Pa.

ROY H. HOLDT
Cleveland, Ohio

MURRAY W. KEELER
Jamestown, R. I.

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HUBERT T. MANDEVILLE
New York, N. Y.

EDWARD S. REDDIG
Cleveland, Ohio

HENRY S. REDDIG
Cleveland, Ohio

JOHN T. SCOTT, JR.
Cleveland, Ohio

ALLAN K. SHAW
Cleveland, Ohio

WARD SMITH
Cleveland, Ohio

W. CORDES SNYDER, JR.
Pittsburgh, Pa.

CHARLES M. THORP, JR.
Pittsburgh, Pa.

KARL E. WARE
Cleveland, Ohio

ALFRED S. WOODWORTH
Boston, Mass.

Officers

EDWARD S. REDDIG,
Chairman of the Board and Chief Executive Officer

ROY H. HOLDT,
President and Chief Operating Officer

HENRY S. REDDIG,
Senior Executive Vice President

WARD SMITH,
Executive Vice President

KARL E. WARE,
Executive Vice President

WILLARD A. GIDDENS,
Senior Vice President and Treasurer

VINCENT A. CHIARUCCI,
Group Vice President

RAYMOND G. DAUSCHER,
Secretary and Corporate General Counsel

ROBERT DRAINVILLE,
Vice President and Controller

RICHARD E. ISAACSON,
Group Vice President

DAVID LONGMUIR,
Vice President-Industrial Relations

ALFRED G. MUGFORD,
Group Vice President

PAUL F. SALIPANTE,
Group Vice President

JOHN B. SCHULZE,
Group Vice President

ERNST W. SPANNHAKE
Vice President and Chief Engineer

JAMES C. HUGHES,
Assistant Treasurer

WESLEY D. HUNT,
Director of Taxes

JOHN J. LENNON,
Director of Advertising

F. M. RASMUSSEN,
Assistant Secretary

GAY REDDIG MAYL,
Director of Insurance & Pensions

FLOYD E. SHANK,
Assistant Secretary and Assistant Treasurer

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